

# Update on progress under the Medium-Term Business Plan

## Abbreviations within this document

HC: Hakuhold DY Holdings Inc.	H: Hakuhold Inc.	D: Daiko Advertising Inc.	Y: YOMIKO ADVERTISING INC.
MP: Hakuhold DY Media Partners Inc.	DAC: D.A. Consortium Inc.	IREP: IREP Co., Ltd	
HP: HAKUHODO PRODUCT'S INC.	Shanghai H: Shanghai Hakuhold Advertising Co., Ltd.		

Good afternoon. My name is Masayuki Mizushima, and I am the Representative Director & President of Hakuhold DY Holdings Inc.

Please allow me to provide an explanation of the progress we are making under the Hakuhold DY Group's Medium-Term Business Plan.

# Medium-Term Business Plan (FY2019-FY2023: 5-year plan)

Core Medium-Term Strategy	With <i>sei-katsu-sha</i> insight as our cornerstone, the Hakuhodo DY Group will combine its creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in a completely digitalized era. In this way, we will continue to impact and provide new value to <i>sei-katsu-sha</i> and society as a whole.
Strengthening Fundamentals for Growth	<ul style="list-style-type: none"> <li>● Establish a leading position in the broader digital domain</li> <li>● Strengthen response capabilities for borderless corporate activities</li> <li>● Accelerate innovation through external collaborations</li> </ul> <div> <p>Aggressive Investment</p> <p>Data, technologies, infrastructure, human resources, M&amp;A, and other areas</p> </div>
Outline of Growth (FY2023)	<p><b>Since our view of the economy and advertising market, which underpins this plan, has changed greatly, we withdrew the numerical targets of the current Medium-Term Business Plan (MTBP).</b></p>
Medium-Term Business Plan Targets (FY2023)	

\* Figures are a comparison of the base year (FY2018) and FY2023

We have been moving forward with a variety of initiatives in accordance with the Medium-Term Business Plan you can see here, which runs through to the end of FY2023. Due to the COVID-19 pandemic's impact on the economy and advertising market, we announced that we had withdrawn the numerical targets for the current Medium-Term Business Plan when we released our financial results for the first half of FY2020.

We then continued to face a situation where the outlook for the economy and the advertising market was unclear. Now, however, the situation is starting to become more stable and, as such, we believe we are able to make assumptions about the future to a certain degree.

We are examining the details of the Medium-Term Business Plan, including its numerical targets, and intend to determine a range of revisions by February 2022. We therefore intend to disclose the details of these revisions, as well as new numerical targets, when we release our financial results for the third quarter.

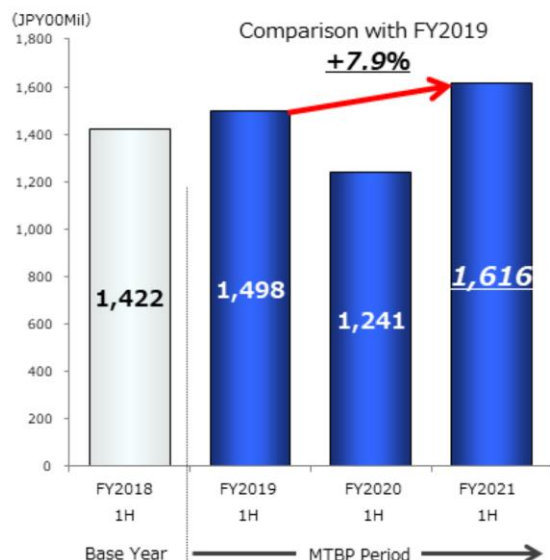
Today, I will talk about the progress we are making with the various initiatives we are undertaking.

# Overview of Progress in the First Half of FY2021

■ Both revenue after adjustments and operating income before amortization of goodwill exceeded the levels that they were before the COVID-19 pandemic due to recovery of advertising demand and appropriate responses to various needs during the pandemic, as well as impacts from reducing activity expenses and structural reforms.

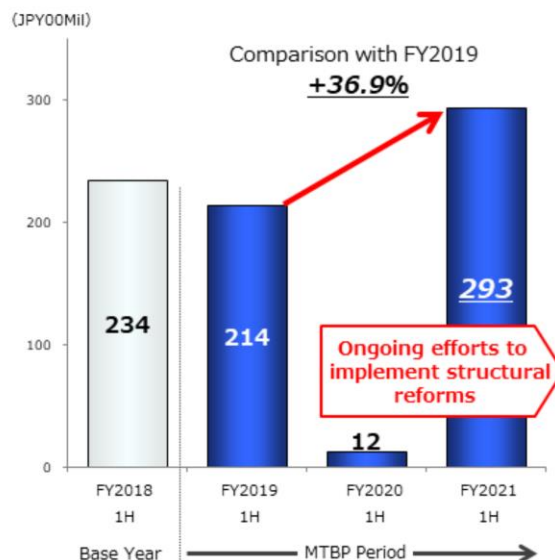
## Adjusted\* Revenue

\*Adjusted: Excluding investment projects and after retroactive restatements



## Adjusted\* Operating Income Before Amortization of Goodwill

\*Adjusted: Excluding investment projects and after retroactive restatements



First, let me discuss the details regarding revenue.

In the first half of FY2021, revenue after adjustments and excluding investment projects greatly surpassed revenue in the previous fiscal year and was up 7.9% compared to the level that it was at in FY2019, before the COVID-19 pandemic. In addition to capitalizing on the recovery in advertising demand, this increase in revenue resulted from our success in appropriately meeting various needs during the pandemic, which we achieved thanks to our ongoing efforts to establish a structure for marketing execution.

Next, adjusted operating income before amortization of goodwill saw massive growth, up 36.9% compared with FY2019, due to not only temporary positive factors but also the impacts of initiatives to curtail operating expenses and promote structural reforms.

In the second half, we expect to pursue strategic investments more aggressively with a view to realizing growth over the medium to long term.

Additionally, we will remain committed to pursuing structural reforms and, toward elevating our corporate functions and increasing their efficiency will, among other things, look into the establishment of a separate company.

## Key Strengthening Measures Centered around the Three Fundamentals for Growth

- Strengthening of structures and response capabilities centered around the MTBP's three fundamentals for growth.

### Main measures

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Establish a leading position in the broader digital domain

Strengthen response capabilities for borderless corporate activities

Accelerate innovation through external collaborations

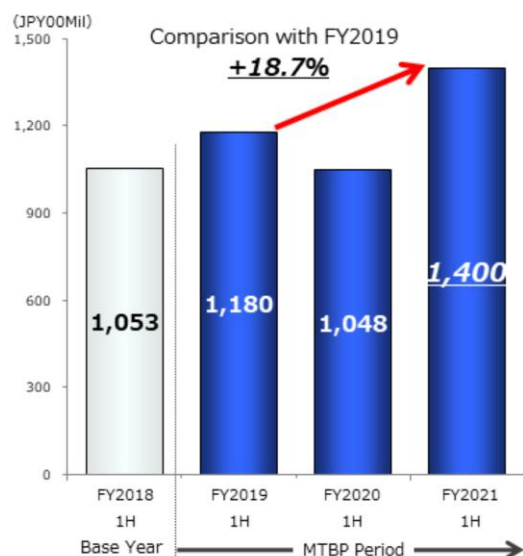
Continuing on, I will explain, in order, the main measures for strengthening structures and response capabilities centered on the Medium-Term Business Plan's Three Fundamentals for Growth.

Please see the next slide.

# Establish a Leading Position in the Broader Digital Domain

- While a certain level of impact remained from the COVID-19 pandemic, Internet media billings were up 18.7% compared with FY2019.
- Focused efforts on not only strengthening our response to clients' DX (digital transformation) needs in line with the acceleration of complete digitalization, but also enhancing our structure in the digital domain, including through external collaborations.

## Internet Media Billings\*



\* Relates to domestic business on a consolidated basis. Excluding investment projects. Figures after retroactive adjustment.

\* Figures adjusted retroactively to reflect the change in calculation method for billings by service category.

## Topics

### Implementation of Marketing DX and Media DX for Clients and Partner Companies

- Commenced the provision of GRIP & GROWTH, a solution for implementing marketing DX for BtoB clients in an integrated manner, through a collaboration with seven Group companies (H)
- Began collaboration with IBM Japan, Ltd. geared toward the provision of a SaaS (Software as a Service) platform for advancing DX in the telecommunications and media industries (DAC)
- Rolled out AaaS (Advertising as a Service), a next-generation model for the advertising media business, as a package comprising four new services (MP)

**Analytics AaaS. Tele-Digi AaaS.  
TV AaaS. Digital AaaS.**

### Enhancement of Business Structure in the Digital Domain

- Enhanced the capital and business alliance with Adways Inc., a digital agency with strengths in app marketing (HC/MP)



- Hakuhodo Product 's Technologies Tohoku LLP jointly established by Hakuhodo Product's Inc., TENDA Co., Ltd. and eight systems integrator companies in the Tohoku area (HP)

I will begin by talking about the first Fundamental for Growth, "Establish a leading position in the broader digital domain."

In the first half, although there was still ongoing impact from the COVID-19 pandemic in industries where we boast strengths, billings from the internet media domain, which we use as an indicator of progress for this domain, saw an increase of over 30% year on year, and a 18.7% increase over FY2019, due in part to the significant growth achieved at our integrated advertising companies, primarily Hakuhodo Inc., and at the next-generation digital agency IREP Co., Ltd.

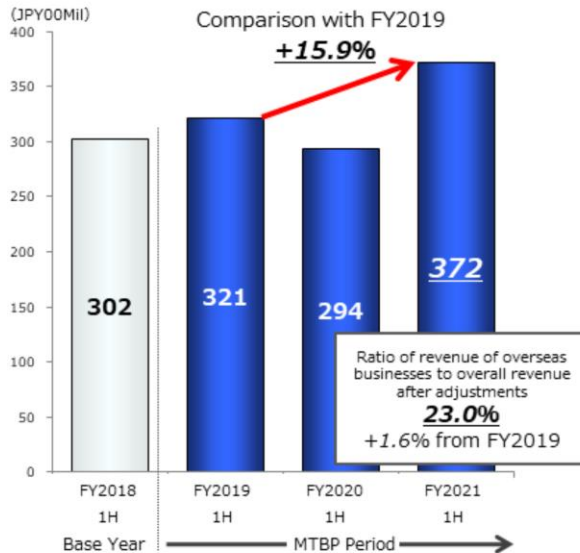
For details on specific measures in this domain, please see the items listed under the Topics section of this slide.



# Strengthen Response Capabilities for Borderless Corporate Activities

- Revenue from overseas businesses saw a 15.9% increase compared with FY2019 owing to recovery in the business performance of Group companies in Greater China and North America, as well as the positive impact of M&A. Overseas revenue expanded to 23.0% of our overall revenue after adjustments.
- Continued efforts to enhance functions through M&A, utilize data in collaboration with platform companies, and strengthen creativity.

## Revenue from Overseas Businesses



## Topics

### Enhancement of Functions through M&A

- Rich Talent Group, a company that boasts strengths in terms of executive human resources in the technology domain, joined kyu (kyu)
- Made the Russia-based digital creativity agency Ailove Digital LLC a subsidiary (H)

### Implementation of Data Utilization in Collaboration with Platform Companies

- Commenced provision of a Japan-China cross-border business support solution utilizing big data held by Baidu, Inc. (HC/DAC)
- Began to offer business support for EC (e-commerce) in the Chinese market utilizing the purchasing data of Tmall.com, which operates under the corporate umbrella of Alibaba Group Holding Limited (Shanghai H)

### Strengthening of Creativity

- Hakuhodo Inc. named Network of the Year at ADFEST 2021, one of the Asia-Pacific region's premier advertising festivals (H)
- IdeasXMachina Group won four awards at Campaign's 2020 Global Agency of the Year Awards (H)

Next, allow me to explain the second Fundamental for Growth, "Strengthen response capabilities for borderless corporate activities."

Revenue from overseas business surpassed its pre-pandemic level, up 15.9% over FY2019, due to the recovery in our performance in Greater China and North America, where economic activities are beginning to return to normal, as well as the incorporation of profits over the course of a full year from companies acquired through M&A in the previous fiscal year. Overseas revenue expanded to 23.0% of our overall revenue after adjustments.

For details on specific measures to further strengthen our response capabilities, please see the items listed under the Topics section of this slide.

# Acceleration of Innovation through External Collaborations

- Amid the lingering impact of the COVID-19 pandemic, continued to reinforce our foundations for collaboration with a view to creating new businesses with diverse partners.
- Focused efforts on creating businesses that benefit society by integrating the Hakuhodo DY Group's *sei-katsu-sha* insight and creativity with assets possessed by partner companies.

## Reinforcement of Foundation for Collaboration with Diverse Partners

- Established the Hakuhodo JV Studio program in Hakuhodo Inc.'s MIRAI Business Division and subsequently commenced full-scale efforts to co-create new businesses through joint ventures with clients (H)



- Strengthened collaboration with academic partners and start-ups through investments in UTokyo IPC's AOI Fund 1 and the World Innovation Lab's venture fund WiL Ventures III, L.P. (H/MP/DAC)



## Creation of Businesses that Benefit Society

- At the UNIVERSITY of CREATIVITY, promoted the creation of new lifestyle culture through urban farming, which involves making use of idle land and rooftops in urban areas (H)



- As co-creation partner of EXPO 2025 Osaka, Kansai, Japan's TEAM EXPO 2025 program, contributed to the co-creation of the society of the future through EARTH MALL, a sustainable shopping initiative whose slogan is "Shopping that can change the future" (H)



The third Fundamental for Growth is "Accelerate innovation through external collaborations."

While we continue to be impacted by the COVID-19 pandemic, we are working to reinforce our structure for collaboration with a diverse range of partners on an ongoing basis with a view to new business creation.

At Hakuhodo's MIRAI Business Division, we established Hakuhodo JV Studio, a program for the co-creation of new businesses with our clients.

In addition, we are working with various partners in such endeavors as investing in investment funds to spur innovation together with academic organizations and start-ups.

Furthermore, we are combining the Hakuhodo DY Group's *sei-katsu-sha* insight and creativity with the assets of collaborating companies in an effort to create businesses for social good.

The logo graphic for Hakuhodo DY Holdings is a large, solid blue rectangle. Overlaid on this rectangle is a large, dark blue chevron shape pointing towards the top right. The text "Hakuhodo DY holdings" is centered within the blue area.

## Hakuhodo DY holdings

This concludes my explanation of the progress we are making with the Medium-Term Business Plan. Allow me to say a few words in closing.

The prolonged spread of COVID-19 hampered the strength of recovery in the domestic economy in the first half. With the lifting of the states of emergency, however, there are high expectations that economic activities will return to normal during the second half, and we will likely see a recovery and growth in demand particularly within industries that have been previously constrained by the pandemic.

During the second half, we will make value-creation-based proposals unique to the Group that accurately address the changing needs of our clients and *sei-katsu-sha*. We will also provide support for reforms to our clients' businesses and actively offer new experience-oriented value to *sei-katsu-sha*. In these ways, we will steadily capitalize on the recovery in advertising demand.

Moreover, we will move forward with strategic investments and structural reforms to accelerate our response to the completely digitalized era brought about by the pandemic and realize growth for the Group over the medium to long term. I will explain the direction of our specific strategies when we announce the details of revisions to our Medium-Term Business Plan in February 2022.

Thank you for your attention.